Australian GDP figures reveal plunge in the economy

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The latest national accounts figures released on Wednesday have delivered a hammer blow to the Albanese Labor government as it prepares for the federal election which must be called by next May.

The data showed that, were it not for government spending, the Australian economy would be in a recession. Annual gross domestic product growth fell from 1 percent in the June quarter to just 0.8 percent in the year to September with growth in the third quarter recording an anemic increase of only 0.3 percent, well below the forecast of a 0.5 percent rise.

The annual growth rate of 0.8 percent is well below the average between 1990 and 2020 of 3 percent.

The result was the weakest growth since the recession of 1990?91, outside the effect of the COVID pandemic.

Private sector growth for the quarter was just 0.2 percent and, but for increased government spending, which rose by 2.4 percent for the quarter and added 0.6 percentage points to the growth rate, the headline number would have been even worse.

In some ways an even more significant statistic was the data on per capita GDP. It went backwards by a further 0.3 percent—the seventh consecutive quarterly decline. According to calculations by the *Sydney Morning Herald*, this meant that "national income per person has now fallen by 2.2 percent, or $1660 over the past year."

But even this figure does not fully take into account the hit to workers' standard of living because of the increase in mortgage rates. The disposable income of many families buying a home has been cut by hundreds of dollars a week since the Reserve Bank of Australia (RBA) started lifting interest rates in May 2022.

This has had a significant impact on consumption spending which remained flat for the September quarter, and which has fallen over the past six months. Overall household consumption spending is now below the trend which existed before the pandemic. As Greg Jericho, economic columnist for the *Guardian*, reported: "Nearly half of the fall in real disposable household income per capita since March 2022 is due to the rise on mortgage payments."

The hikes in interest rates and mortgage repayments have also hit another key area of the economy—building and construction.

Non-residential construction, which is interest-rate sensitive, fell by 2.7 percent in the September quarter and residential home building contracted by 0.5 percent for the year after adjustment for inflation.

Labor Treasurer Jim Chalmers tried to put the best face on a worsening economic situation saying the government was "working its tail off" to improve things while acknowledging that most people were worse off.

In previous remarks, Chalmers has said that the RBA interest rate rises have "hammered" the economy. But these rises have been fully supported by the government as part of the so-called drive to bring down inflation.

This program has nothing to do with reducing price hikes, which are the result of profit gouging initiated by major transnational corporations, particularly in the food and energy sectors, at the onset of the pandemic. Other companies, acting in accordance with the saying "never let a crisis go to waste," used the opportunity to lift prices and profit margins.

The rate increases initiated by the RBA—13 hikes in total which raised its base rate from 0.1 percent to 4.35 percent—were not directed to bringing down inflation but have been aimed at suppressing the wage demands of the working class to compensate for some of the deepest cuts in living standards in the post-war period.

And this program is to be continued as a speech by RBA governor Michele Bullock last week made clear.

Bullock acknowledged that the present rate was restrictive. Its effect was "most evident in the household sector, with very weak growth in consumption, a decline in per capita consumption and very low dwelling investment."

Nevertheless, she continued, monetary policy settings would remain restrictive until the central bank was confident that inflation was on track to sustainably return to the midpoint of its target range, 2.5 percent.

But then she revealed the real reason. As Bullock and every other economist knows, price hikes have not been caused by wage rises. But wages are nonetheless the target.

"At present, we judge that conditions in the labour market remain tighter than would be consistent with low and stable inflation," she said.

The RBA has made clear it wants to lift the present unemployment rate from its present level of 4.1 percent to 4.5 percent which would throw an additional 680,000 workers out of a job.

Numerous critics of the RBA have characterised its policies as a mistake that should now be corrected.

Writing in the *Australian Financial Review* (AFR), former Labor government minister Craig Emerson said the RBA board was "committed to increasing the unemployment rate… for no useful purpose."

In fact, it is not a mistake, the result of misguided analysis or a faulty mindset. And it has a very definite class purpose—the suppression of wage struggles under conditions of the highest inflation in four decades.

For its part, the RBA will only cut rates, not to boost the economy but to accede to the insistent demands of finance capital for cheaper money, when it considers that task has been completed.

In his *Guardian* column Jericho insisted that the GDP data indicated the RBA was getting it very wrong.

He said the damage done by its policies should be enough "to make you think the RBA board should urgently reconsider their policy and start undoing the damage before things are such that even government spending can't keep the economy growing."

But the worsening economic situation cannot be overcome by a flick of the policy switch by the RBA, because the Australian economy is completely enmeshed in the deepening crisis of the world capitalist system.

The economy of its major trading partner, China, is slowing, and is set to be hit with tariff increases under the incoming Trump administration.

The European economy is stagnant, with the biggest component, Germany, the world's third largest economy, entering its deepest crisis in the post-war period. And the US is initiating a tariff war against the rest of the world which may rival the Smoot-Hawley measures of the 1930s which did so much to intensify the depression.

In every country, including in Australia, the demand of finance capital is for major cuts in government spending—the recent warning by Deloitte Access Economics of a $50 billion blowout in the budget deficit was an expression of this—and for deepening attacks on the working class.

This outlook was expressed in responses to the GDP numbers.

One article in the AFR referred to "bloated government spending" and cited comment by IFM Investors chief economist Alex Joiner who said government spending was "keeping interest rates higher."

Another AFR article said that "surging public expenditure has delayed interest rate cuts and is displacing the private sector."

An article in the *Australian* featured comments by KPMG chief economist Brendan Rynne on the same theme.

"Government cannot be the engine of growth and the expansionary fiscal policies being pursued by commonwealth and state governments are contributing to keeping interest rates higher for longer," he said.

The Labor government, or whatever government comes next, is being given its marching orders by its master, the upper echelons of finance capital—even the limited measures of the past must go.

This offensive has been joined by major corporations and their representatives which are demanding a lowering of taxes and the scrapping of regulations, particularly in the labour market. This campaign is being waged under the banner of lifting productivity, which, in a capitalist economy boils down to intensifying the exploitation of the working class to boost profits.

The global management consultancy firm McKinsey said the national accounts data showed Australia had recorded zero productivity growth since 2016 and this had become a "national emergency."

Westfarmers chief executive Rob Scott called for a reduction of red tape and regulation governing the labour market. He said the tax system was "uncompetitive" relative to other nations."

BHP Australia president Geraldine Slattery said there had to be a "policy setting environment" to attract capital and investment, a clear allusion to tax cuts.

McKinsey took up the issue directly saying the Australian effective corporate tax rate of 27 percent had contributed to a decline in foreign investment and international competitiveness.

The working class cannot meet this finance capital-corporate offensive with futile demands that the government, the RBA or any other instrument of the capitalist state change course but only in the fight for an alternative political program, that is the fight for socialism grounded on an internationalist strategy.